

349.120 Well operators to execute bonds or blanket bonds in favor of department -- Establishment of coalbed methane well plugging fund -- Operators' civil and criminal liability.

- (1) When any person submits to the department an application for a permit to drill a coalbed methane well, or to reopen, deepen, or temporarily abandon any coalbed methane well which is not covered by a surety bond, the department shall, except as provided in this section, require from the well operator a bond in the sum of five thousand dollars (\$5,000). The bonds shall be made in favor of the Department for Natural Resources, conditioned that the wells upon abandonment shall be plugged in accordance with the administrative regulations and that all records required by the department be filed as specified. All bonds shall remain in effect until the plugging of the well is approved by the department, or the bond is released by the department. Any well operator in lieu of the bond may file with the department a blanket bond in a sum of one hundred thousand dollars (\$100,000), covering all coalbed methane wells drilled or to be drilled in the Commonwealth by the principal in the bond, and the acceptance and approval by the department of the blanket bond shall be in full compliance with the above provision requiring an individual well bond. The department may establish a bond in a sum greater than five thousand dollars (\$5,000) for an individual well or blanket bond in sum greater than one hundred thousand dollars (\$100,000) if the department determines that the particular circumstances of the drilling of the well or wells warrant an increase in the bond amount. A deposit in cash or a bank-issued irrevocable letter of credit may serve in lieu of either of the individual well or blanket bonds. A certificate of deposit, the principal of which is pledged in lieu of a bond and whose interest is payable to the party making the pledge, may also be accepted by the department. If an operator is required to post individual well bonds exceeding a total of five thousand dollars (\$5,000) or elects to post a blanket bond, the certificate of deposit shall be accepted by the department in lieu of that portion of the amount of the bonds exceeding five thousand dollars (\$5,000). The bond or bonds referred to in this section shall be executed by the well operator as principal and, if a surety bond, by a corporate surety authorized to do business in the Commonwealth. A deposit in cash shall serve in lieu of either of the above bonds; all cash bonds accepted by the department shall be deposited into an interest-bearing account, with the interest thereon payable to the special agency account known as the coalbed methane well plugging fund, created in subsection (3) of this section, to be used in accordance with the purposes described therein.
- (2) A successor to the well operator shall post bond, pay a twenty-five dollar (\$25) fee per well to the department, and notify the department in writing in advance of commencing use or operations of a well or wells. The successor shall assume the obligations of this chapter as to a particular well or wells and relieve the original permittee of responsibility under this chapter with respect to the well or wells. It shall be the responsibility of the selling operator to require the successor operator to post bond before use or operation is commenced by the successor and relief of responsibility under this chapter is granted to the original permittee.

- (3) All sums received through the forfeiture of bonds shall be placed in the State Treasury and credited to a special agency account to be designated as the coalbed methane well plugging fund, which shall be in an interest-bearing account with the interest thereon payable to the fund. This fund shall be available to the department and shall be expended for the plugging of any abandoned coalbed methane wells coming within the authority of the department pursuant to this chapter. The plugging of any coalbed methane wells pursuant to this subsection shall not be construed to relieve the operator or any other person from civil or criminal liability which would exist except for the plugging. Any unencumbered and any unexpended balance of this fund remaining at the end of any fiscal year shall not lapse but shall be carried forward for the purpose of the fund until expended or until appropriated by subsequent legislative action.

Effective: July 13, 2004

History: Created 2004 Ky. Acts ch. 65, sec. 24, effective July 13, 2004.

Legislative Research Commission Note (6/20/2005). 2005 Ky. Acts chs. 11, 85, 95, 97, 98, 99, 123, and 181 instruct the Reviser of Statutes to correct statutory references to agencies and officers whose names have been changed in 2005 legislation confirming the reorganization of the executive branch. Such a correction has been made in this section.